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SUBJECT: GERMANY TAKES RUSSIAN - BELARUS OIL DISPUTE IN
STRIDE

REF: WARSAW 33

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11. (U) German reaction to the cutoff of Russian oil via the Druzhba Pipeline has been relatively muted. Economics Minister Michael Glos stated there was no cause for alarm as Germany has sufficient reserves to cover any shortages. That said, Glos demanded that "the pipeline be reopened as soon as possible." Chancellor Merkel stated the cutoff underscores the need for Germany to diversify its energy supplies, focus on renewables, and reexamine its decision to phase out nuclear power. Merkel intends to raise the issues of security of supply and transit with Russian President Putin in a previously scheduled meeting set for January 21 in Moscow, a point Chancellery Director General for Economics, Jens Weidmann, reiterated in a meeting with EMIN January 9. Merkel also publicly stated a new partnership agreement with Russia is vital and should address energy security concerns.

12. (SBU) Weidmann told us no oil is coming to Germany through the pipeline. He added that there are alternative sources as well as 90 days of reserves which will keep the cutoff from having an immediate impact on domestic supplies. He does expect the disruption to impact discussions on security of energy supplies, in Germany as well as throughout the EU. Germans in the past, he said, have tended to regard energy security as a problem for others; Russia's actions showed Germany too is vulnerable.

13. (SBU) Ministry of Foreign Affairs State Minister Gernot Erler agreed with Weidmann's assessment. He also told us he believes the disagreement will be resolved soon. The Foreign Ministry's Energy Officer Michael Frank was sanguine about the technical impact of the shutoff. He said Germany's reserves were more than sufficient to weather any disruption of supply, and stated that oil is much more fungible than natural gas. Frank said the main impact is likely to be on the reputation of Russia as a reliable energy supplier. Hartmut Schneider, Deputy Director General for Energy at the Economics Ministry, echoed Frank's opinion. Schneider added that the disruption will influence not only German-Russian but also EU-Russian relations. Schneider said it was apparent by Russia's behavior that it had little concern for its European "friends." Schneider stated European

Commissioner Piebalgs would chair a meeting of the EU Oil Suppliers Group later in the week, possibly Thursday or Friday (January 11 or 12).

¶4. (U) The Druzhba Pipeline provides approximately 20% of Germany's crude oil imports (22 million tons) to refineries in eastern Germany at Schwedt and Leuna. Both refineries have approximately one week of crude oil reserves. Berlin is among the areas the two refineries supply with gasoline and other refined products. The refinery at Schwedt is connected via tanker to a pipeline in Rostock and as a result should experience no disruption in operation. The German government has strategic oil reserves to cover demand for 90 days, as well as the largest natural gas reserves in Europe. German energy companies also maintain their own reserves.

¶5. (SBU) In contrast to last year's controversy over natural gas supplies via Ukraine, the German government has not rushed to the defense of Belarus a country viewed by most Germans as autocratic and less "European" than Ukraine. However, the controversy is likely to strengthen Germany's determination to diversify energy supplies, including through a proposed LNG terminal at Wilhelmshaven and the Baltic Sea Pipeline, currently under construction. In addition, it will affect discussions on an EU energy strategy, to be released under the German presidency in March. The European Commission is also scheduled to release an extensive series of energy initiatives on January 10.

TIMKEN JR